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19 September 1958

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CENTRAL

INTELLIGENCE

BULLETIN



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## CENTRAL INTELLIGENCE BULLETIN

19 September 1958

### DAILY BRIEF

#### I. THE COMMUNIST BLOC

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Taiwan Strait situation: A series of clashes in the Kinmen area involving Communist and Nationalist air and naval elements occurred during the afternoon of 18 September, resulting, according to Nationalist claims, in five Communist MIG fighters shot down and one Communist motor torpedo boat sunk and another damaged by Nationalist aircraft. One Nationalist vessel was damaged by Communist artillery fire. Peiping has issued another warning--the sixth--against intrusions by US warships.

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Watch Committee conclusion--Taiwan Strait: The Chinese Communists will continue their efforts to interdict supply lines to the offshore islands.

The Chinese Communists now possess a capability to launch major attacks against the Kinmens, the Matsus, and smaller offshore islands with little or no warning. Seizure of one or more of the offshore islands is possible, but amphibious lift necessary for an invasion of Kinmen and Lieh Hsu (Little Kinmen) and Matsu has not yet been observed. The Chinese Communists probably do not intend to initiate major offensive military action against Taiwan and the Penghus (Pescadores) but possess a capability for major air attacks against them.

The Chinese Nationalists, fearing US concessions in talks with the Chinese Communists, might undertake independent provocative action calculated to embroil the US in hostilities. Increasingly concerned over failures to resupply the Kinmens,

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the Chinese Nationalists will put heavy pressure on the US to assure supply of the island.

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Available evidence fails to reveal that the USSR has taken any measures, precautionary or otherwise, which might reflect preparation for an early implementation of Soviet commitments to the defense of Communist China.

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Hong Kong: A number of recent incidents off Hong Kong indicate a Chinese Communist intention to apply the 12-mile limit to the territorial waters around Hong Kong. On 15 September, two Communist naval vessels forced two Royal Navy motor launches off course until they nearly ran aground within the colony's waters. British authorities see the possibility of an "exchange of fire," since the withdrawal of their patrols would result in serious damage to British prestige.

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Yugoslav-Bloc relations: A number of Yugoslav officials have emphasized recently that they expect the Sino-Soviet bloc's anti-Yugoslav campaign to intensify this fall. The Yugoslav chargé in Washington has declared that a break in diplomatic relations with Peiping could occur any day. A further deterioration in Yugoslav-bloc relations is likely, but the Yugoslavs may be exaggerating the degree of the deterioration.

USSR-Indonesia: Moscow has agreed to supply Indonesia with 200,000 tons of rice worth \$20,000,000 under a new long-term credit. Communist China will probably deliver the rice to Djakarta, charging it to the Soviet trade account. Indonesia

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has now been offered Sino-Soviet bloc economic aid worth \$218,000,000, and more than half of this has been obligated.

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## II. ASIA-AFRICA

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**Algeria:** The announcement of the establishment of an Algerian government-in-exile, which is scheduled to be made 19 September, may be timed to facilitate its admission to membership in the Arab League along with Morocco and Tunisia. The announcement would also be intended to add impetus to the boycott of the French constitutional referendum which the FLN has ordered in Algeria. Headquarters of the government-in-exile will probably be in Cairo.

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**Watch Committee conclusion--Middle East:** The survival of the Jordanian regime continues to be threatened. If the regime in Jordan collapses, action by Israel and other neighboring countries to take control of Jordanian territory is likely.

Within the Iraqi regime, growing instability, dissension and fragmentation offer increasing opportunities for local Communist exploitation and action by Nasir to bring about an outcome favorable to the UAR.

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**Violence in Lebanon may occur incident to and following the change of government on 23 September.**

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NO

**Cyprus:** An American vice consul, a British airman, and two Turks on Cyprus were wounded on 18 September in separate attacks. This action may signal the beginning of the EOKA campaign of violence designed to frustrate UK efforts to implement the plan for limited self-government and to demonstrate the need for immediate attention to the problem by the United Nations.

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#### **IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES**

**(Available during the preceding week)**

**Special National Intelligence Estimate No. 36-6-58, The Outlook in Saudi Arabia and the Consequences of Possible US Courses of Action. 9 Sept 1958.**

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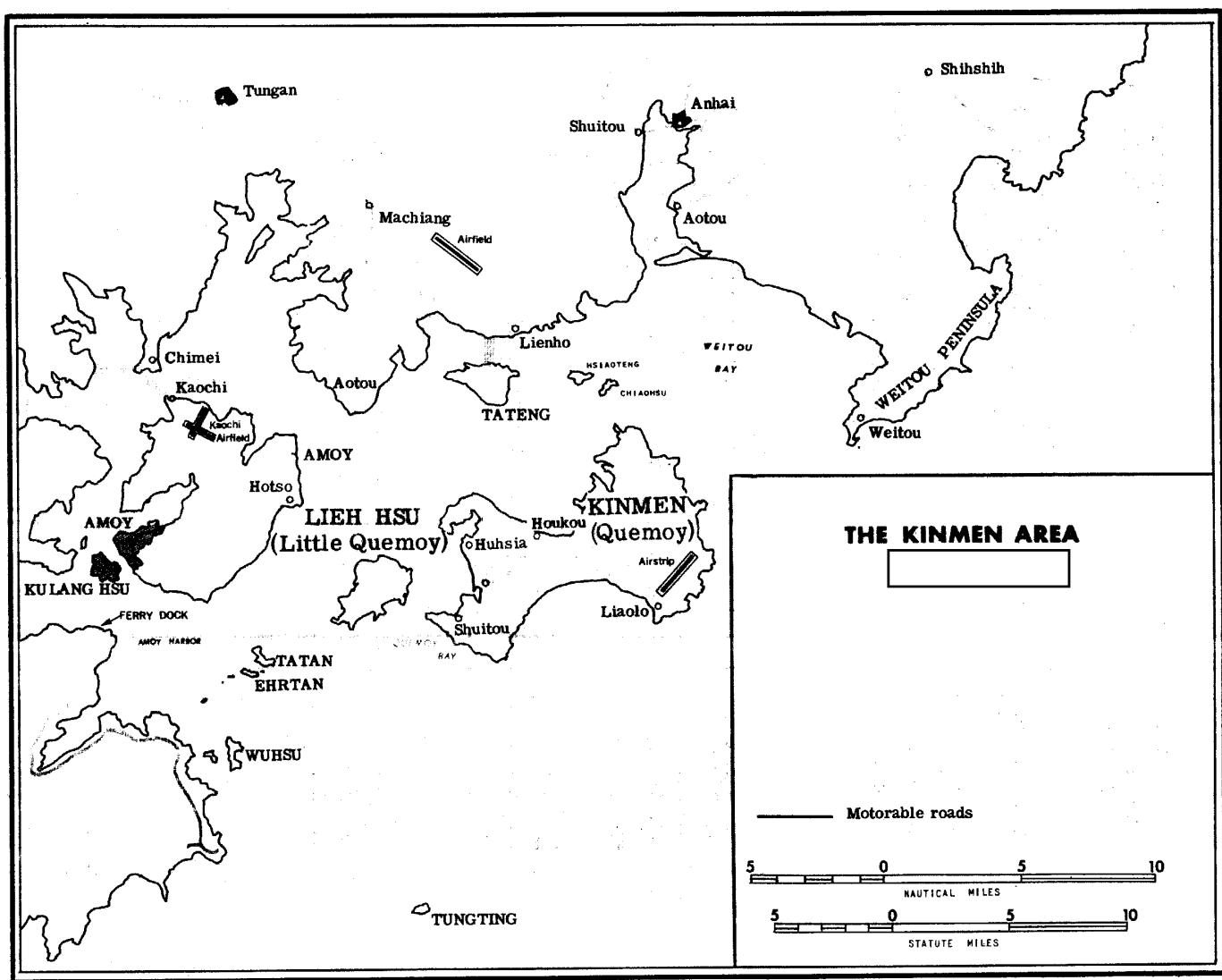
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## I. THE COMMUNIST BLOC

### Taiwan Strait Situation

In a series of clashes in the Kinmen area during the afternoon of 18 September involving both Communist and Nationalist air and naval elements, the Nationalists claim to have shot down five Communist MIG fighters, sunk one Communist motor torpedo boat and damaged another.

A Nationalist convoy consisting of one LSM and two patrol craft, en route to Tungting, a few miles south of Kinmen, reported early in the afternoon that one of the patrol craft had been damaged by Communist artillery fire and was "helpless." The convoy also reported that two enemy vessels were approaching and requested US naval assistance.

A short time later the Nationalist Kinmen Defense Command reported that a Communist MIG had strafed a Nationalist vessel 2 to 3 miles south of Kinmen. The strafing incident, the first of its kind, may have coincided with the arrival of a scheduled convoy to Kinmen. Following the strafing incident, the Nationalist joint operations center reported that four Communist motor torpedo boats were attacking three Nationalist patrol vessels in the vicinity of Tungting and that the Nationalist vessels were also under attack by Communist artillery. The Nationalists diverted aircraft to the scene of action, and sent four additional aircraft armed with bombs. The four Communist motor torpedo boats were attacked by Nationalist aircraft, with one boat claimed sunk and another "dead in the water." The two remaining torpedo boats headed for the mainland.

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About 1800 (Taipei time), approximately three hours after the sinking of the motor torpedo boat, eight Communist MIG's attacked four Nationalist F-86 aircraft about 20 miles southeast of Kinmen, resulting in three MIG's shot down. A second encounter in the area resulted in two additional MIG's shot down. The shoot-downs were confirmed by gun camera film. Apparently no Nationalist planes were lost.

Despite considerable improvement in the Kinmen supply situation, successful deliveries since 23 August have totaled

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only about 950 tons. It is believed, however, that it may soon be possible to supply 180 tons per day and ultimately 300 tons per day if Communist artillery fire remains at present levels. The 180-ton figure is estimated to be the minimum daily tonnage needed for survival, and does not allow for the logistical requirements of any major Nationalist counterbattery fire. The Nationalist Air Force, which has been dropping small quantities of supplies, could deliver up to 100 tons daily for a period of about 20 days.

Peiping's Foreign Ministry issued its 6th warning on 18 September against intrusions by US warships engaged in convoy escort into its claimed territorial waters. The aggressive Communist interdiction actions on 18 September, a reversal in the recent pattern of Communist air operations, suggest that Peiping may hope to provoke US counteraction which could be exploited in the UN as US aggression.

Japan's Foreign Ministry has accused the USSR of being "one-sided" in charging that Japan is supporting American "aggressive intentions" in the Taiwan Strait. An official Japanese spokesman said that the Soviet warning to Japan ignored the cause of the current tension in that area. The note apparently was delivered too late to exploit Japanese fears of involvement in the crisis.

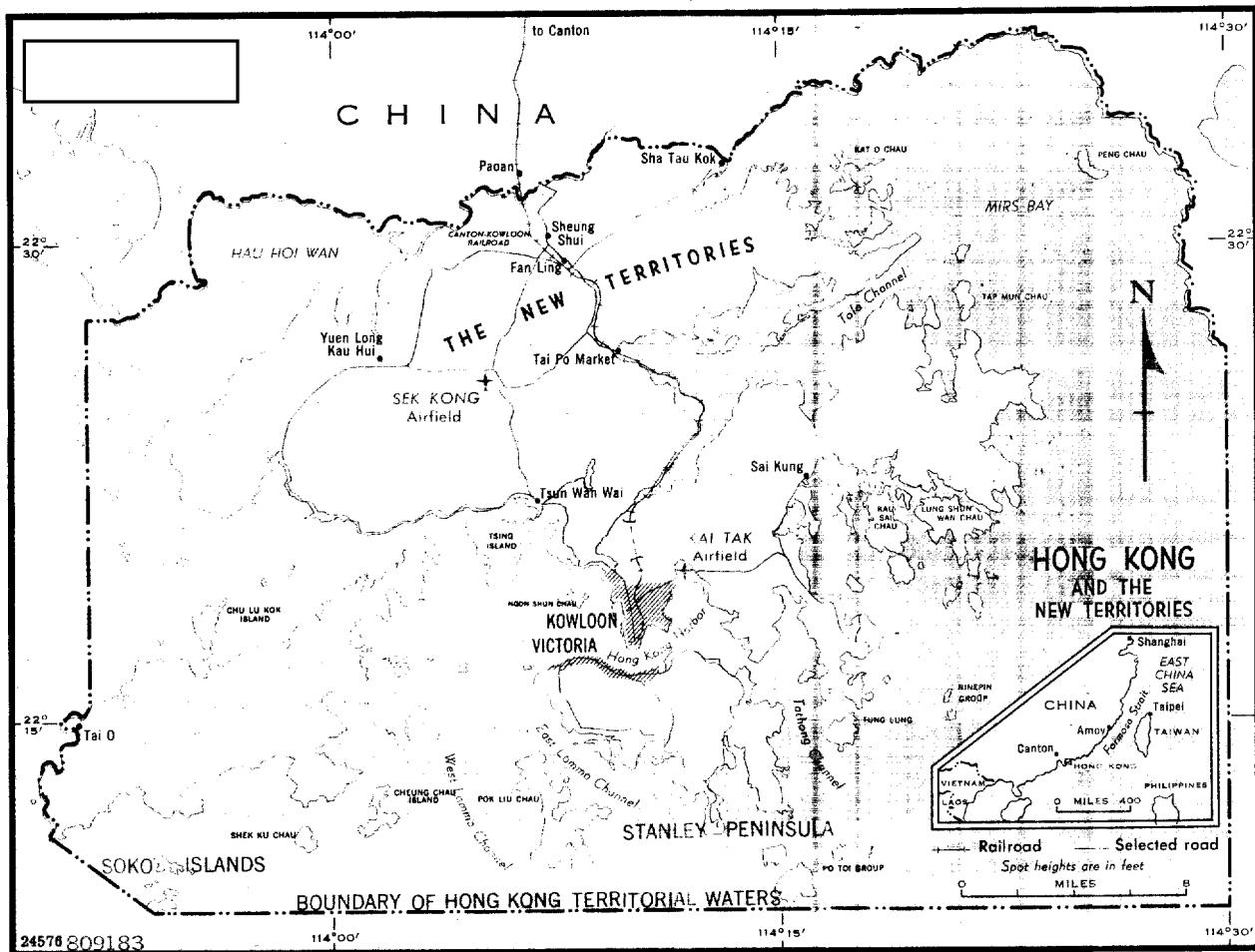
West German Chancellor Adenauer, discussing the Far Eastern situation with Premier de Gaulle at their recent meeting, reiterated his belief that the USSR harbors real fears of the Chinese Communists.

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Chinese Communist Aggressiveness in Hong Kong Waters  
May Lead to Clashes

A number of recent incidents in the Hong Kong area suggests that the Chinese Communists intend to apply the 12-mile limit to the territorial waters around Hong Kong. On 15 September, two Communist naval vessels nearly forced two Royal Navy motor launches aground on the Soko Islands, within the colony's waters, and another British vessel, also in colony waters, was directed by a Communist shore station to "leave Chinese territorial waters." These provocative actions followed a recent incident in which a Communist patrol boat fired on a fleet of fishing junks about 12 miles south of Stanley Peninsula.

British authorities think the incidents may lead to an "exchange of fire," since the withdrawal of their patrols would result in serious damage to Britain's prestige.

Although the British Government informed Peiping on 13 September that it recognizes only a three-mile limit, London has for some time assumed that the Chinese Communists would claim the 12-mile limit, and is aware that protecting the Hong Kong fishing industry now will be more difficult. British naval strength in the area consists of one destroyer, one frigate, three minesweepers, and six armed motor launches.

Peiping's 12-mile limit would place any approach to the colony through its western entrance in Communist waters, and require considerable detours for ships on southward routes and drastic curtailment of naval practice.

In the past two months, Peiping has increased its pressure on Hong Kong by other deliberate provocations, including an official protest on 27 August and vituperative demonstrations against the closing of a Communist-controlled school. In addition to indicating Peiping's abiding interest in "protecting" the colony's Chinese population, the Chinese Communists may intend their actions to serve as warning to the British against support of US policy on the Taiwan issue.

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Yugoslav Relations With the Sino-Soviet Bloc

The Sino-Soviet bloc's anti-Yugoslav campaign has apparently evolved into a slow grinding away at the Yugoslavs without the startling pyrotechnics of the past summer. Moscow's primary objective for the present apparently is to discredit Yugoslav "revisionism" thoroughly, but in such a way as to give the Yugoslavs little basis for retaliation.

Yugoslav officials have recently claimed that the anti-Yugoslav campaign will intensify markedly this fall. The gradual deterioration in Belgrade's relations with the bloc probably will not be checked, but the Yugoslavs may be deliberately exaggerating the level that will be reached, probably in an effort to gain additional Western and "neutralist" support and to ensure popular backing in Yugoslavia.

Most recently the Yugoslav chargé in Washington, without citing any particular cause, commented that a break in diplomatic relations with Peiping "could occur any day." It does not appear likely, however, that the initiative for such a move would come from Belgrade, which continues to maintain that admission of Communist China into the UN and expanded Western recognition of Peiping are essential steps in any solution of the Taiwan problem. While it is possible that Peiping would break off diplomatic relations, it seems unlikely at this time, inasmuch as the Chinese Communists have approved the Soviet policy of maintaining formal state relations between bloc countries and Yugoslavia.

Moscow has now curtailed the circulation of Yugoslav publications within the USSR. Recently it reneged on coal deliveries to the Yugoslav steel industry. Communist Chinese and Albanian anti-Yugoslav propaganda continues to be more vituperative than that from the rest of the bloc. Belgrade has publicly accused the Albanian regime of attempting to incite the Albanian minority within Yugoslavia to revolt.

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USSR Offers Delivery of Chinese Rice to Indonesia:

Moscow has agreed to supply Indonesia with 200,000 tons of rice worth about \$20,000,000 under a new long-term Soviet credit. The rice is to be supplied by Communist China. Peiping presumably will divert rice originally allocated for delivery to the USSR, charging it to the Soviet trade account.

Communist China already is supplying Indonesia with 45,000 tons of rice, half of which is being delivered on credit available from the \$40,000,000 in aid which China extended to Djakarta last spring. The remainder is being supplied as a normal commercial transaction. Indonesia has received Sino-Soviet bloc economic aid offers totaling \$218,000,000, and more than half of this now has been obligated.

Indonesia's chronic rice shortage will require rice imports of 700,000 tons this year. [redacted]

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II. ASIA-AFRICA

Algerian Government-In-Exile

The Algerian National Liberation Front (FLN) is expected to announce the creation of an Algerian government-in-exile on 19 September. The timing of the announcement may be intended to add impetus to the FLN-ordered boycott of the French constitutional referendum in Algeria as well as to permit the Arab League, which recently received applications for membership from Morocco and Tunisia, to admit these three North African countries simultaneously. The FLN may also have desired to improve its position before the Algerian question is again debated in the UN General Assembly.

Cairo newspapers listed the moderate Ferhat Abbas as premier. Six of the 13 "ministers" are members of the FLN's executive committee which began to act as a cabinet last June, four have been imprisoned near Paris since their capture by the French in October 1956, and the remaining three are members of the FLN's 54-member National Council of the Revolution who lobbied for the FLN in foreign capitals. The cabinet is almost equally divided between the young military leaders of the rebellion and the political leaders who were drawn in greater part from the educated and propertied classes.

The location of the government-in-exile in Cairo improves Nasir's opportunities for expanding his influence in Algeria and throughout the Maghreb while at the same time diminishing the moderating influence of Tunisian President Bourguiba and Moroccan King Mohamed V over the FLN. Morocco and Tunisia, which since last spring have sought to dissuade the Algerians from taking this step and complicating already difficult Moroccan-Tunisian relations with France, probably will feel compelled to recognize the government at least as soon as does the United Arab Republic.

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Greek Cypriot Violence May Be Opening of Major Campaign

The EOKA outburst on 18 September--during which an American vice consul, a British airman, and two Turkish Cypriots were wounded in separate but almost simultaneous attacks--may be the beginning of the expected EOKA campaign of violence, designed to frustrate implementation of the British plan for limited communal self-government and to demonstrate the need for immediate United Nations attention.

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The Greek Cypriots, increasingly dissatisfied with Athens in its handling of their case in international forums, are particularly concerned over the scheduled arrival in Nicosia about 1 October of an official representative of the Turkish Government, which they consider a first step toward partition. Athens in turn has warned that installation of the Turkish official on Cyprus will have "very serious consequences," but the British are going ahead with preliminaries aimed at an early implementation of their plan. The Greeks apparently would like to have a three-year moratorium on the Cyprus issue, but there is little likelihood that either the Turks or the British would agree to this.

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### III. THE WEST

#### Continuing Political Tension in Venezuela

Rumors of another coup attempt in Venezuela--following the abortive military effort on 7 September--and the inability of political parties to agree on a common presidential candidate reflect the continuing tension in the country. [redacted]

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Political parties have reached a virtual impasse in negotiations to implement a program of truce and unity for the scheduled November elections--a program which public opinion sees as its principal guarantee against a return of military rule.

In the latest attempt to reach multiparty agreement on the elections, junta President Larrazabal has been put forward as a unity presidential candidate by the party, which is probably third-ranking in strength, but the two other major parties may reject the proposal. He reportedly will resign from the junta shortly to enter the race as an "independent" in a move which could split the parties or cause a radical realignment of political forces.

Larrazabal apparently has the solid backing of the navy, commanded by his brother, as well as widespread public popularity and substantial party support, including that of the Communists. His presidential ambitions, however, might throw some civilian backing to dissatisfied elements of the now disorganized ground forces. [redacted]

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The Under Secretary of State for Economic Affairs

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